Why Singapore Was Able to Attract $338b Foreign Direct Investment in the Past 10 Years While Sierra Leone Attracted Only $1.9b

“Why Singapore Was Able to Attract $338b Foreign Direct Investment in the Past 10 Years while Sierra Leone Attracted Only $1.9b.”

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Abstract

This study seeks to understand the reasons Singapore attracted far more Foreign Direct Investment (FDI) than Sierra Leone. The choice of these two countries is based on their historical similarities. Both Sierra Leone and Singapore were under British rule from the nineteenth century to the 1960s. Both countries gained their independence in the early 1960s. The countries share the same colonial heritage and therefore gained their colonial master's system of government, legal framework, and economic systems. At independence, both countries had similar population size, as well as economies size. Sierra Leone's population was 2.2m and Singapore's was 1.6m in 1961. Between 1961 and1965, both countries held similar GDPs and their colonial master (United Kingdom) was their major trading partner.

Using data from the World Bank Doing Business and the World Enterprise Survey for Sierra Leone and Singapore, the study finds that Singapore has attracted more FDI than Sierra Leone because of the difference in the type of economy. Singapore's economy is more formalized and efficient, whereas Sierra Leone's economy is informal and less efficient. The process of registering a business, obtaining a construction permit, buying and registering property, getting credit, paying taxes, trading across borders, and enforcing contracts are much more streamlined and formalized in Singapore than in Sierra Leone. An informal economy makes it difficult to start and operate a business; and it plays a critical role in why some countries attract far less FDI than others.

Table of Contents

Appendix

List of Tables and Figures

Chapter 1

Introduction

Many governments in developing countries over the years have made a concerted effort to attract Foreign Direct Investment (FDI) because of the capital, technology, and the managerial expertise FDI brings to a country and its ability to aid economic growth. Sierra Leone has tried but has not been very successful.

My thesis seeks to understand the reasons Singapore has attracted far more Foreign Direct Investment (FDI) than Sierra Leone since their independence, even though both countries are similar in population size and gained their independence about the same time. Between 2003 and 2012, Singapore attracted $338 billion in Foreign Direct Investment (FDI), while Sierra Leone attracted only $1.9 billion.[1] The main question for this thesis is: What are the determinants of FDI in Sierra Leone? Are low levels of FDI due to domestic political institutions? Are low levels of FDI due to political instability or regime type? Do the business environment and investment risk have an influence on FDI in Sierra Leone? Is it the type of economy, the informal economic practice that is predominant in most developing countries such as Sierra Leone, which are causing low FDI attraction? Many studies have pointed out that political institution, regime type, political instability, autocratic government, military government, and civil wars all lead to a risky business environment and therefore make a country less likely to attract FDI.[2] Yet

[1] World Bank FDI Report 2014: http://data.worldbank.org.

many countries in the past (Afghanistan, Brazil, Cuba, Egypt, Iraq, Venezuela,) have attracted a reasonable amount of FDI in periods of political instability and autocratic governments. Why not Sierra Leone? Foreign investors are aware that they have to contend with some level of risk in any part of the world they invest in. However, the mostly informal economy that is prevalent in developing countries I believe contributed more to the lack of FDI attraction than currently appreciated. Informal economic practice refers to economic activities that are not taxed, registered, regulated by the government, or included in the Gross National Product (GNP). Most activities in the informal economy lack licenses and good bookkeeping. In other words, most businesses in the informal sector are not registered and therefore do not pay taxes. The World Bank estimated the informal sector represented about 60% to 80% of Sierra Leone's economy.

FDI have contributed enormously to rapid economic growth in many developing countries and have also aided in reducing poverty and improving living standards in these countries.[3] Sierra Leone remains one of the poorest countries in the world, maybe because of its inability to attract FDI. Previous studies by the United Nations Conference on Trade and Investment show that inadequate human capital, poor infrastructure, and a weak regulatory framework are key factors preventing Sierra Leone from attracting FDI.[4] But what the study did not explain is why Sierra Leone is able to

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[2] Glen Biglaiser and Joseph L. Staats, "Do Political Institutions Affect Foreign Direct Investment?" *Political Research Quarterly* 63, no. 3 (2010): 508-522.

[3] E. Borensztein, J. De Gregorio, and J. W. Lee, "How Does Foreign Direct Investment Affect Economic Growth?, " *Journal of International Economics* 45, no. 1 (1998).

[4] UNCTAD, *Investment Policy Review: Sierra Leone* (New York: United Nations, 2010).

attract a reasonable amount of FDI in the extractive industry but not in the other sectors of the economy. My study will go a step further by trying to identify and explain why other sectors of the economy fail to attract noteworthy FDI.

The significance of the study, I hope, might add new insight that may assist the government of Sierra Leone to formulate policies that will attract FDI to all sectors of the economy. Additionally, the findings hopefully will assist the government of Sierra Leone and other countries similar to Sierra Leone in their ongoing attempt to diversify their economies from their heavy dependence on extractive minerals.

Benefits of FDI

Foreign Direct Investment has been defined as an investment made by a company based in one country into a company based in another country. Foreign Direct Investment, which is the subject of this paper, differs substantially from indirect investment such as portfolio investment, wherein overseas institutions invest in equities listed on a nation's stock market. FDI is often carried by Multinational Corporations (MNCs) in the form of acquisition of state-owned enterprises, joint ventures, and starting new businesses in the host country.

FDI, through MNCs, have been beneficial to developing countries in various ways. FDI are seen to be instrumental in transfer of capital, technology, managerial knowledge, and other resources to developing countries.[5] An increase in FDI through MNC has been associated with improved economic growth due to increased tax revenues

[5] Prakash Loungani and Assaf Razin, "How Beneficial Is Foreign Direct Investment for Developing Countries?," *Finance and Development* 38, no. 2 (2001): 6-9.

resulting from increased economic activities for the host country. If MNCs invest in a country, the host country's citizens benefit from increased local employment opportunities and access to technology and skills, thereby putting income in the hands of the local people, which improve their standard of living.

In addition to employment opportunities, the host country will benefit in having access to modern workers training programs and managerial best practice processes. MNCs often bring talented managers experienced in organizing efficient production process that are often not available in developing countries. The transfer of knowledge through training of local managers helps develop the skills of the local citizens. This enabling the local citizens to participate in the global economic activities and as a result attracts more FDI because of the presence of skilled workers.

FDI is also beneficial to the host country as it opens up access to foreign markets and extensive marketing network for the host country's products and services. Access to new markets will promote export, increase economic activities, promote economic development, and hence the standard of living of the citizens of the host country.

Furthermore, Foreign Direct Investment can result in the transfer of technical skills to the host country through training in more advance technology used by Multinational Corporation.[6] Additionally, the availability of this more advanced technology in the host country will give them access to current research and development project that is needed to develop the local infrastructure and other capacity building

[6] Bruno Van Pottelsberghe De La Potterie and Frank Lichtenberg, "Does Foreign Direct Investment Transfer Technology across Borders?," *Review of Economics and Statistics* 83, no. 3 (2001): 490-497.

needed to make the country more attractive to foreign investors.[7] The presence of foreign companies is said to have positive impact on productivity of the domestic economy. That is, competition from the foreign companies can lead to higher productivity gains and greater efficiency in the host country. It has also been suggested that the presence of Multinational Corporation may improve corporate governance standards for domestic companies in developing countries.

However, there have been some arguments against FDI because of the political power and environmental impact that some MNCs have exerted on the domestic economy. Among the concerns are the overconsumptions of water by large-scale commercial projects; the depletion of natural resources; and the abuse of workers in developing countries with weak labor laws. Most concerning are the large-scale environment impact that is left behind by multinational corporations in poor countries with weak and unenforceable environment laws. Such practices tend to be prevalent in the mining and manufacturing industries where large-scale machinery and land spaces are required. Many do believe, however, that with strong environment laws and corporate citizenships, these problems can be resolved.

Despite these concerns, the general consensus is that FDI have had a positive effect in promoting economic development and raising living standards in developing countries.

[7] Jože P. Damijan et al., "The Role of Fdi, R&D Accumulation and Trade in Transferring Technology to Transition Countries: Evidence from Firm Panel Data for Eight Transition Countries," *Economic systems* 27, no. 2 (2003): 189-204.

Case Selection: Why Singapore and Sierra Leone?

On the surface, Sierra Leone and Singapore are viewed as two different countries in two different geographical locations with vast differences in terms of economic development and wealth, which is true. However, this study is not about a most different case study, but rather a most similar case study, because Singapore and Sierra Leone are similar countries at their inception but evolved to completely different countries 50 years later.

Selection of these two countries is not a random choice but instead a deliberate choice, one that is based on the historical similarities of both countries at the beginning of their history, but each took a different path to arrive at their economic status today. The choice of these two countries is designed to build theories of success and failures in attracting FDI and economic development in two similar countries at their inception. The choice also contributes to the politics of strategic decision-making process and the political economy of FDI.

Both Sierra Leone and Singapore were under British rule from the nineteenth century to the 1960s. Sierra Leone was colonized by Britain from 1808 to 1961, while Singapore was under British rule from 1824 to 1965. Both countries gained their independence - Sierra Leone on April 27, 1961 and Singapore in August 1965. The countries share the same colonial heritage and inherited their colonial master's system of government, legal framework, and economic systems. At independence, both countries had similar population size and the sizes of their economies were also similar. Sierra Leone's population was 2.2m and Singapore's was 1.6m in 1961. As Table 1 below indicated, between 1961 and1965, both countries held similar GDPs and their colonial master (United Kingdom) was their major trading partner, but by 1980, Singapore's GDP was twelve times that of Sierra Leone's.

Table 1: Gross Domestic Product (GDP) in US $

Year	Singapore	Sierra Leone
1961	764,303,121	327,834,680
1962	825,879,878	342,721,579
1963	917,216,012	348,546,951
1964	893,728,644	371,848,114
1965	974,186,762	359,379,856
1980	12,078,880,713	1,100,685,845
1990	38,899,863,982	649,644,827
2000	95,835,971,175	635,874,002
2012	289,941,106,344	3,789,119,779

Source: World Bank (WDI)

Both Sierra Leone and Singapore over the years have reformed their investment policies to attract FDI. For example, the Sierra Leone 1988 Port Authority Act was not only aimed at privatizing the airport and Maritime industry for effective management but was also put in place to encourage foreign investors to invest in the transportation industry of the country. Since 1988 various investment promotion Acts have been adopted to liberalize the economy and to provide incentives for investments in Sierra Leone. Most importantly, in 2004, with the support of the World Bank Foreign Investment Advisory Services (FIAS) and the United Kingdom's Department for International Development (DFID), the government of Sierra Leone enacted the

Investment Promotion Act of 2004. This Act created an agency whose sole responsibility is the promotion of FDI into the country. The objective of this agency, the Sierra Leone Investment and Export Promotion Agency (SLIEPA), is to promote investment and provide business facilitation services to foreign investors. SLIEPA provides personalized services and investment environment information such as taxation, business registration, and various incentives to potential investors to Sierra Leone.

Likewise, Singapore's investment policies to attract FDI have grown over time since its independence from the United Kingdom in 1965. Various Acts can be attributed to the development of the early investment policies in Singapore; among them is the 1967 Economic Expansion Act. The attraction of FDI was made paramount when in 1983, the Singapore Trade Development Board (TDB) was established to be the main wing to promote Singapore's investment environment to the international community and to attract corporations to base in Singapore. The TDB over the years has actively negotiated free trade agreements with various countries.

Both countries are members of the World Trade organization, and both have signed several Bilateral Investment Treaties (BIT) with various countries. Sierra Leone over the years has incorporated into its FDI strategy international best practice recommended by the World Bank and the IMF, yet still has not attracted that much FDI.

The difference is that along the way Singapore was able to formalize its economy while Sierra Leone's economy is still mostly an informal economy.

Background

Sierra Leone, a former British colony, is located on the west coast of Africa. Its colonial history can be traced to 1787 when a group of British individuals acquired a piece of land in the western part of the country to be used as a settlement for freed slaves (Freetown) from England, Nova Scotia, and the West Indies. In 1808, Freetown became a Crown Colony of the British government. In 1896, the other part of the country became a British protectorate and added to the colony making the rest of the country under British rule.

After over 150 years of British rule, Sierra Leone gained independence from Britain on April 27, 1961. Though dominated by the two largest groups, the Mendes and the Temnes, the country is made up of eighteen ethnic groups. The estimated population of the country is about 5.6 million (2008 census). Sierra Leone is blessed with rich mineral resources including iron ore, gold, bauxite, rutile, and diamonds.[8]

Sierra Leone gained independence within a period of intense global alignment and strategic alliance. At first Sierra Leone, like so many former colonies, saw FDI as a form of neo-colonization. The suspicion has credence because most FDI was coming from the former colonial master. To protect their infant industries, many developing countries erected legal and other financial barriers against FDI and turned to Import Substitution Industrialization (ISI). For example, in the late 1970s, the Sierra Leone Produce Marketing Board (SLPMB) was commissioned to coordinate agricultural produce; its primary aim was to make the country self-sufficient in food supply and less dependent on imported food. SLPMB was also responsible in helping farmers transform their production process from subsistence farming to a more mechanized production process, and it serves as a link between the farmers and the export market. The aim was to protect Sierra Leone's agricultural industry, which happens to be the largest employer even

[8] Sierra Leone 2011 EITI Report: Extractive Industries Transparency Initiative (EITI).

today. These protectionist policies employed by developing countries for over 20 years slowed economic development because of the lack of capital needed to build roads and infrastructures that will support and foster economic growth.

But in the 1980s the forces of globalization and economic global integration were too great to be ignored by any country. Therefore, developing countries began to open up their economies to join the global economy. Unable to obtain loans to fund economic development because of the strict conditionality imposed by the International Monetary Fund (IMF), the World Bank and other lenders, developing countries turned to FDI, something they avoided earlier on.

As developing countries were showing interest in FDI in the 1980s, foreign investors were looking for investment opportunities. From 1980 to the present, FDI has grown significantly and has been a major part of economic development in developing countries. According to the World Investment Report, FDI has grown from $20 billion in 1980 to $22.8 trillion in 2012.[9] Yet with this large flow of FDI to developing countries, Sierra Leone has not attracted that much foreign investment. The question is: Why has Sierra Leone failed to attract more FDI?

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[9] UNCTAD. "World Investment Report, 2013." (New York: United Nations), 2013.

Chapter 2

Literature Review

Research reflects many causes for FDI attraction, but the literature on the political economy of FDI points to various political reasons why a country may not attract FDI.

The Political Economy of FDI

The most important scholarly literature on FDI began in the 1970s when the seizure of foreign investment by host governments grew rapidly. According to David A. Jodice, there were eight expropriations in twenty-five countries in 1975.[10] This seizure of foreign investment created tension between foreign investors and host governments and it was affecting FDI flows into developing countries. This tension formed the paradigm for research on the political economy of FDI in the 1970s. Raymond Vernon suggests that the tension was due to a bargaining problem between host countries and foreign investors.[11] This was especially true in the mining industry wherein after the initial heavy capital intensive investment by the foreign investor, the bargaining power shifted to the host government who can seize the entire plant.[12]

However, in the 1990s, developing countries began to realize the economic

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[10] David A. Jodice, "Sources of Change in Third World Regimes for Foreign Direct Investment. 1968-1976," *International Organization* 34, no. 2 (1980): 177-206.

[11] Raymond Vernon, *Sovereignty at Bay* (New York: Basic Books, 1971).

[12] Stephen J. Kobrin, "Testing the Bargaining Hypothesis in the Manufacturing Sector in Developing Countries," *International Organization* 41, no. 4 (1987): 609-638.

benefits of FDI and began to make efforts in attracting foreign investors by opening their markets and doing everything possible to spark an interest. Instead of focusing on profit maximization (bargaining power), developing countries now focus on maximizing economic growth by attracting FDI inflows to their country. The literature on the past 20 years focuses on political determinants of FDI to developing countries. One prominent finding by Quan Li and Adam Resnick reveal that democratic governments find it easier to attract foreign investors than non-democratic governments because they have stronger and better enforceable property rights protections laws.[13] In addition, Nathan M. Jensen concludes that foreign investors generally trust the commitment received from democratic governments.[14] The argument is a sensible one as the security of FDI is paramount to foreign investors. The argument for democratic governments to be able to attract more FDI is based on the fact that democratic regimes are deemed to be stable in nature. Firstly, this stability is because politics and policies are conducted in an open and transparent environment. Secondly, as a result of political participation and the ability of people in democracies to vote leaders out of offices, democratic leaders think twice before engaging in seizing foreign investors' assets. Finally, with today's twenty-four hour news cycle, the negative international reactions of a democratic government seizing foreign investors' assets will turn off other foreign investors.

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[13] Quan Li and Adam Resnick, "Reversal of Fortunes: Democracy, Property Rights and Foreign Direct Investment Inflows to Developing Countries," *International Organization* 57, no. 1 (2003): 175-211.

[14] Nathan M. Jensen, "Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment," *International Organization* 57, no. 3 (2003): 587-616.

On the other hand, although the literature agrees that there is a link between investment risk and political regime, others argue that autocratic governments are better hosts of FDI than democratic governments. John Tuman and Craig F. Emmert argue that policy instability is greater under democratic regimes than autocratic regimes.[15] This is so because in a democracy, there is a change of party every now and then and there is a lot of policy adjustment during and after elections. The frequent changes of politicians and parties in democratic governments, they point out, lead to policy instability and therefore undermine foreign investors' confidence in a host country. In fact, John R. Oneal argues that some investors have an affinity for autocratic regimes.[16]

When it comes to FDI, there seems to be no consensus on the literature as to whether democratic governments provide a less risky investment environment for investors or autocratic governments are a riskier place to invest. In fact, some of the literature argues that regime types (democratic or autocratic) make little difference when it comes to where FDI flows. Glen Biglaiser and Karl DeRouen Jr. state that FDI will go where it is profitable regardless of regime type.[17]

The FDI literature discussed above, points to the investment risk that is inextricably linked to the political instability perpetuated by different political regimes. Foreign investors are aware that they have to contend with some level of risk in any part

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[15] John Tuman and Craig F. Emmert, "The Political Economy of U.S. Foreign Direct Investment in Latin America: A Reappraisal," *Latin America Research Review* 39, no. 3 (2004): 9-28.

[16] John R. Oneal, "The Affinity of Foreign Investors for Authoritarian Regimes," *Political Research Quarterly* 47, no. 3 (1994): 565-588.

[17] Glen Biglaiser and Karl DeRouen, Jr., "Economic Reforms and Inflows of Foreign Direct Investment in Latin America," *Latin America Research Review* 41, no. 1 (2006): 51-75.

of the world they invest in. What has not been looked at deeply, however, is how the type of economy affects FDI attraction. The mostly informal economy that is prevalent in developing countries I believe contributed more to the lack of FDI attraction than currently appreciated.

Hypothesis

My hypothesis is that the informal economy, which makes it difficult to start and operate a business in the country, played a critical role in Sierra Leone's attracting far less FDI than Singapore. This is so because most investors want to see a transparent and efficient business environment before deciding to do business in a country.

Chapter 3

Doing Business in Singapore and Sierra Leone

To compare the ease at which companies and investors can start and operate a business in Sierra Leone and Singapore, I use the World Bank Doing Business data. Each year since 2003, the World Bank Doing Business Project has been gathering and analyzing comprehensive quantitative data about the business environment of 189 countries. The annual report presents quantitative indicators on 10 areas of business regulation for 189 countries. The 10 areas included are starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. These areas cover the most important elements of the life of a business and foreign investors consider them as they decide the country in which to invest. Starting a business, dealing with construction permit, buying and registering property, getting credit, paying taxes, trading across borders, and enforcing contracts are the factors most often associated as having the greatest constraint for investors.

Starting a Business in Singapore and Sierra Leone

One of the first things to start and operate a business in any part of the world is to legally register the business. This process includes obtaining all necessary licenses and permits needed for the business to be considered legally registered. The evaluation also includes the cost and time it takes to complete the registration process. This is the first stage in which investors are introduced to the realities of the business environment of a country.

Figure 1: Starting a Business in Sierra Leone and Singapore

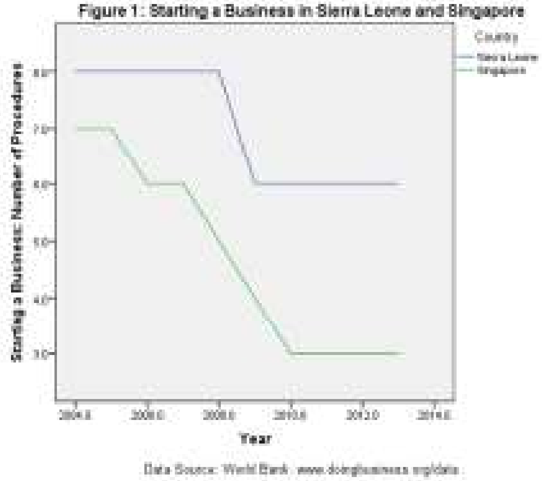
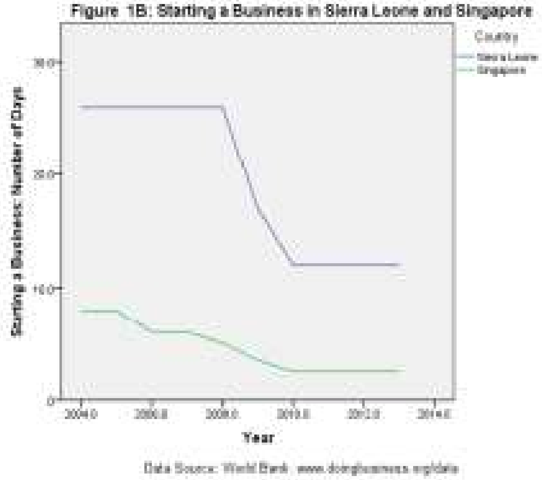


Figure 1B: Starting a Business in Sierra Leone and Singapore

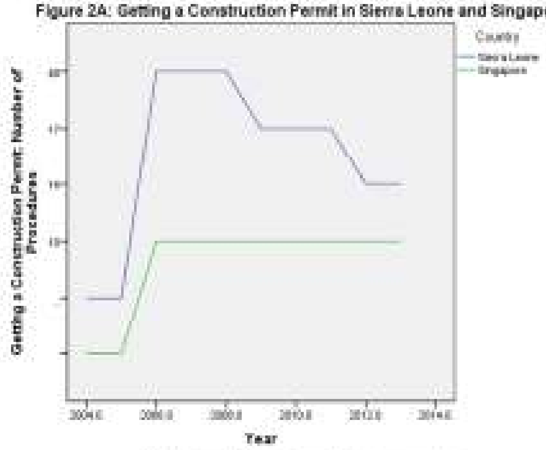


As shown in Figure 1A and 1B, in 2008, it takes 8 procedures and 26 days to register a business in Sierra Leone. While in Singapore, in 2008, it takes 5 procedures and 5 days to register a business. In 2013, it takes 6 procedures and 12 days to start a business in Sierra Leone, while in Singapore, in 2013, it takes 3 procedures and 2.5 days to register a business. The ease of registering a business in a country is very important because it is an indicator of an efficient business environment, and investors will surely think twice about investing in a country in which the process is long and cumbersome as it is in Sierra Leone.

Obtaining a Construction Permit in Singapore and Sierra Leone

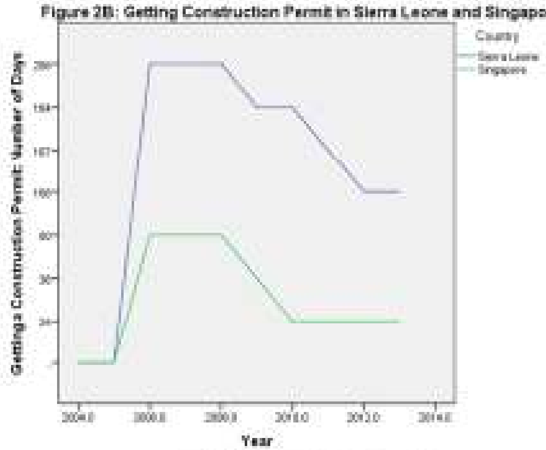
Most businesses need an office building, warehouse, and other real estate property to conduct their business. Obtaining a construction permit is a pre-requisite to construct these business facilities. The faster the processes the better, especially for businesses that may want to expand their operation to gain more market share. The ease of obtaining a construction permit is a business advantage and enhances its smooth running. However, this is not the case in Sierra Leone compared to Singapore. As shown in Figures 2A to 2C, in 2008, there were 40 procedures and it took an average of 206 days to obtain a construction permit in Sierra Leone. At the end it cost 13.5% of the value of the warehouse. On the other hand, in Singapore~~,~~ it took 10 procedures, 60 days and cost 0.3% to obtain a construction permit.

Figure 2A: Getting a Construction Permit in Sierra Leone and Singapore



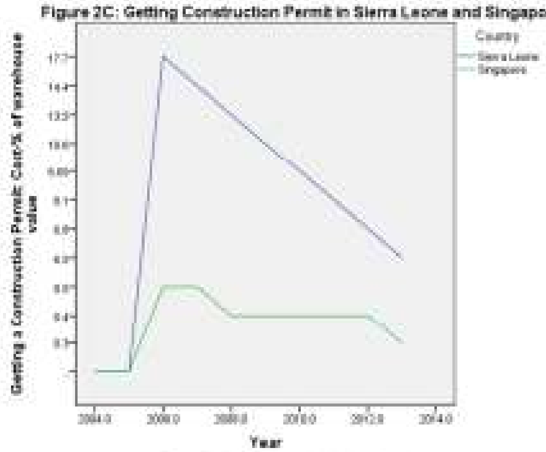
Data Source: World Bank: www.doingbusiness.org/data

Figure 2B: Getting Construction Permit in Sierra Leone and Singapore



Source: World Bank: www.doingbusiness.org/data

Figure 2C: Getting Construction Permit in Sierra Leone and Singapore



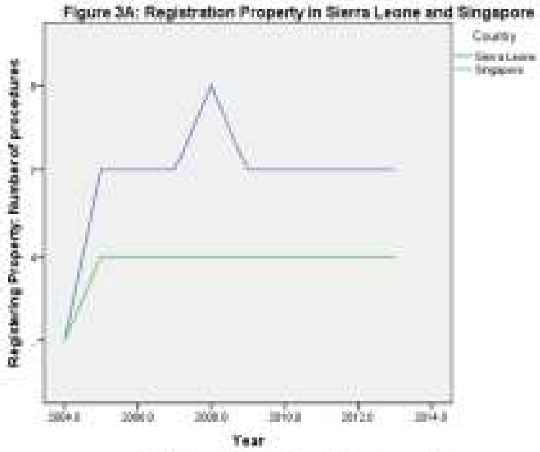
Source: World Bank: www.doingbusiness.org/data

In Sierra Leone there was improvement in the number of days, procedures, and cost it took to acquire a construction permit. Between 2008 and 2013, the number of procedures reduces from 40 to 16, the number of days from 206 to 166, and warehouse cost from 13.5% to 6.5%. However, much improvement is still needed in Sierra Leone because the time it takes to obtain a construction permit is still too long and anti-competitive in Sierra Leone, and therefore businesses are at a disadvantage compared to those in Singapore, especially if those businesses desire to expand. In today's fast pace global economy, 206 or even 166 days are just too many days to wait to obtain a construction permit.

Buying and Registering Property in Singapore and Sierra Leone

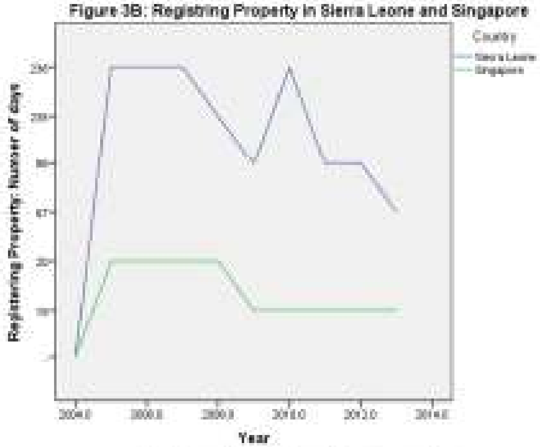
If a business decides not to build a warehouse or a property and instead decides to buy, it takes even longer and cost more to purchase land or building in Sierra Leone than obtaining a construction permit. The complete process for a business to buy a property from another business until the title is transferred takes 8 procedures, 235 days, and cost 14.9% of the value of the property in 2008. In Singapore the same process takes 4 procedures, 20 days and 2.8% of the value of the property. In 2013, it takes 7 procedures, 67 days and 11.6% of the value of the property in Sierra Leone, while it takes 4 procedures, 19 days and 2.8% of the value of the property in Singapore. See Figures 3A through 3C below.

Figure 3A: Registration Property in Sierra Leone and Singapore



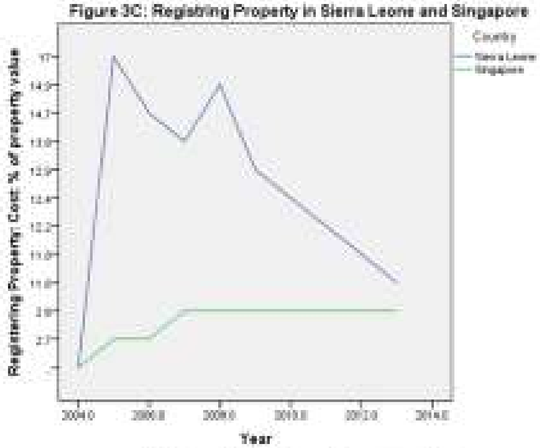
Data Source: World Bank www.doingbusiness.org/data

Figure 3B: Registring Property in Sierra Leone and Singapore



Data Source: World Bank www.doingbusiness.org/data

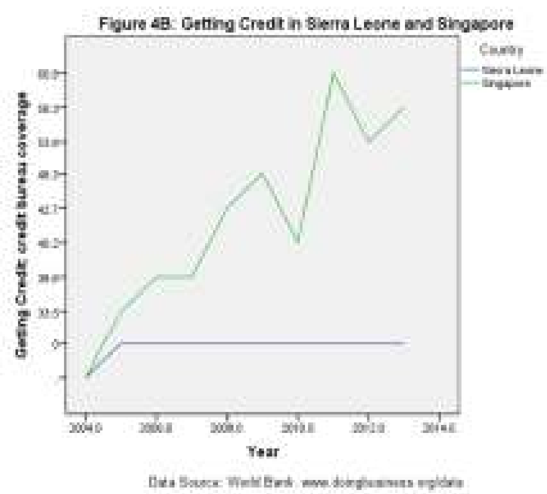
Figure 3C: Registring Property in Sierra Leone and Singapore



Data Source: World Bank www.doingbusiness.org/data

Getting Credit and Finance in Singapore and Sierra Leone

One of the most important blood lines for a smooth functioning economy is the ability of its businesses to have access to credit and financing when needed. Cash flow collections for most businesses fluctuate and some businesses are seasonal. To maintain the day-to-day operation of a business such as paying salaries and meeting other expenses, businesses must be able to access credit and financing easily. But for banks and other financial institutions to have the courage to extend credit to individuals and businesses, they should be able to determine the credit worthiness of those seeking credit and financing. This determination is normally done through credit information provided by credit bureau.

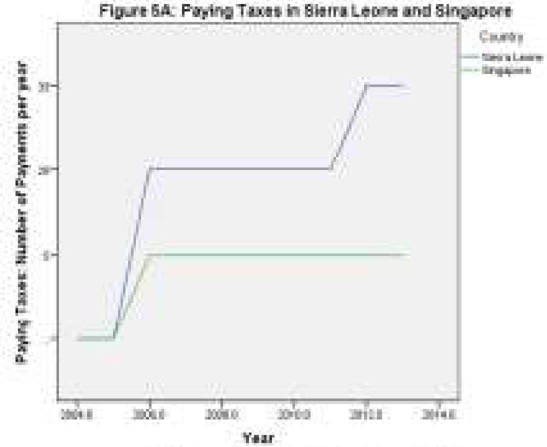


There are no credit bureaus in Sierra Leone, therefore credit information and the credit coverage for businesses and individuals is zero. In Singapore there are credit bureaus and the credit coverage for a business or individual is 43% in 2008 and 58% in 2013. The nonexistence of the credit bureau in Sierra Leone makes extending credit very difficult, and lenders will have to depend on an informal system in which to extend credit. See Figure 4B above.

Paying Taxes in Singapore and Sierra Leone

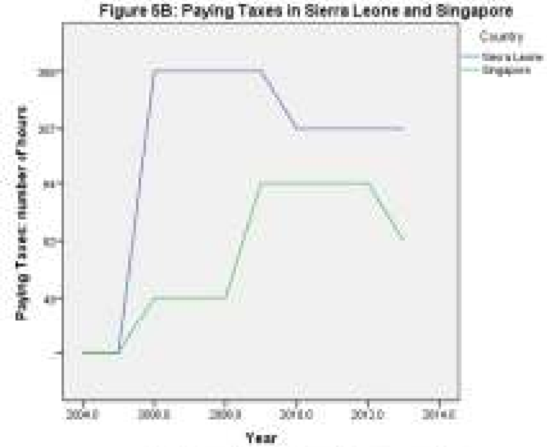
Every business is expected to pay taxes, but the number of times in a given year that a business has to pay taxes and the administrative burden of paying the taxes affect how investors decide where to invest. In 2008, there are 29 number of payments required in Sierra Leone, and it takes 339 hours to complete. In 2013, there are 33 number of payments required in Sierra Leone, and it takes 357 hours to complete. While in Singapore, there are 5 payments required in 2008, and it averages about 49 hours. In 2013, there are 5 payments required in Singapore, and it takes about 82 hours. See Figures 5A and 5B below.

Figure 5A: Paying Taxes in Sierra Leone and Singapore



Data Source: World Bank www.doingbusiness.org/data

Figure 5B: Paying Taxes in Sierra Leone and Singapore



Data Source: World Bank www.doingbusiness.org/data

The number of the tax payments per year includes the frequency of filings that are required to the different government agencies. Taxes such as sales taxes, payroll taxes and social contribution taxes are included in the measure. The hours needed to complete includes the time it takes to collect information and prepare the taxes. The frequency of payments in the filing schedule, and the number of hours and amount of information required is extraneous and will surely discourage businesses in Sierra Leone because it will eat into their profit.

Trading Across Borders – Singapore and Sierra Leone

While operating in a global economy, most businesses aspire to export their products in order to expand business and to find new markets. The questions many investors ask include: How much time is needed and what is the process to export a product out of a country? Answers to these are important because the time, number of procedures, and the cost of export affect business profit and business relations with overseas business customers and partners. In fact, in their article *Trading on Time*, Simeon Djankov and Pham, argued that the time it takes to complete an export affect international trade.[18] In a study of 98 countries' exporting process, they found that each additional day a product is delayed reduces trade by more than one percent. In other words the longer it takes to complete the exporting process, the less likely a country will attract investors. The 31 days that is needed in Sierra Leone compared to the 6 days in Singapore, is a clear indication why Singapore is more attractive to investors than Sierra Leone.

[18] S. Djankov, C. L. Freund, and C. S. Pham, 2006. "Trading on Time," *World Bank Policy Research Working Paper* (3909).

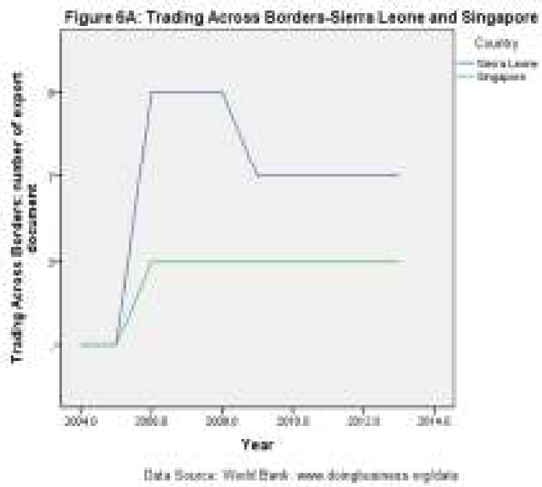


Figure 6A: Trading Across Borders-Sierra Leone and Singapore

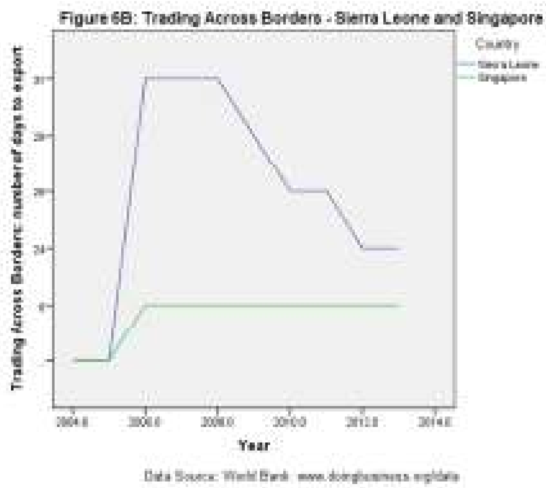


Figure 6B: Trading Across Borders - Sierra Leone and Singapore

As shown in Figures 6A and 6B, in Sierra Leone it takes about 7 documents and 31 days in 2008 to complete an export process for a 20-foot container. In 2013, it takes about the 7 documents and 24 days to complete an export process. This time does not include the length of days the cargo is on the sea. In Singapore on the other hand, it takes 3 documents and about 6 days in both 2008 and 2013 to complete an export process.

Enforcing Contracts in Singapore and Sierra Leone

Most often both local and international businesses deal in contracts. Most business transactions are governed by commercial contracts. There are contracts to perform a service, to deliver a product, buy on credit, repair an office space, etc. If a contract is breached, how long will it take to resolve it, how many procedures does it take, and how much does it cost are questions most business owners and investors ask as they engage in business. In other words, is the judicial system in a country good enough to efficiently resolve commercial dispute and in a timely manner. In Sierra Leone, the main court that has the jurisdiction to resolve commercial dispute is the Freetown High Court – Commercial Section and in Singapore it is the Singapore District Court – Subordinate Court.

Figure 7A: Enforcing Contracts in Sierra Leone and Singapore

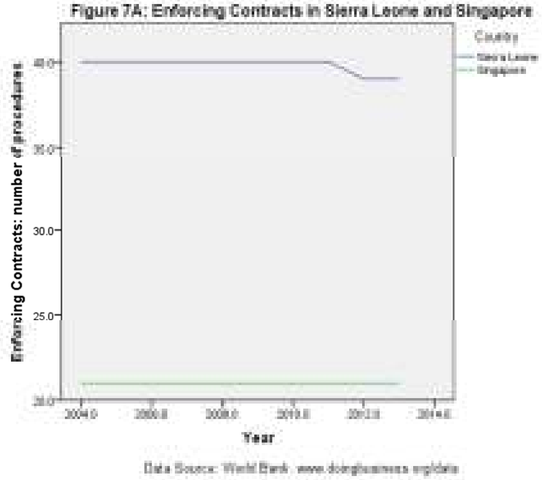
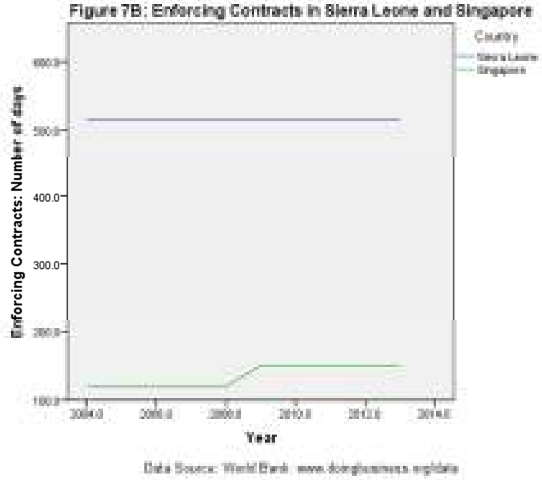


Figure 7B: Enforcing Contracts in Sierra Leone and Singapore



As shown in Figures 7A and 7B, in 2008, it takes an average of 515 days and 40 procedures for the Freetown High court to complete the enforcement of a contract that is in dispute in Sierra Leone. In 2013, it takes 515 days and 39 procedures to complete the process of enforcing a contract in Sierra Leone. While it takes about 120 days and 21 procedures for the Singapore District Court to complete an enforcement process in 2008, and 150 days and 21 procedures in 2013.

It is generally agreed in business that the ability to enforce a contract is essential for the business to operate smoothly. It encourages business-to-business transaction and business-to-individual transaction, and also encourages trade and investment in an economy.

World Bank Business Environment Survey in Sierra Leone

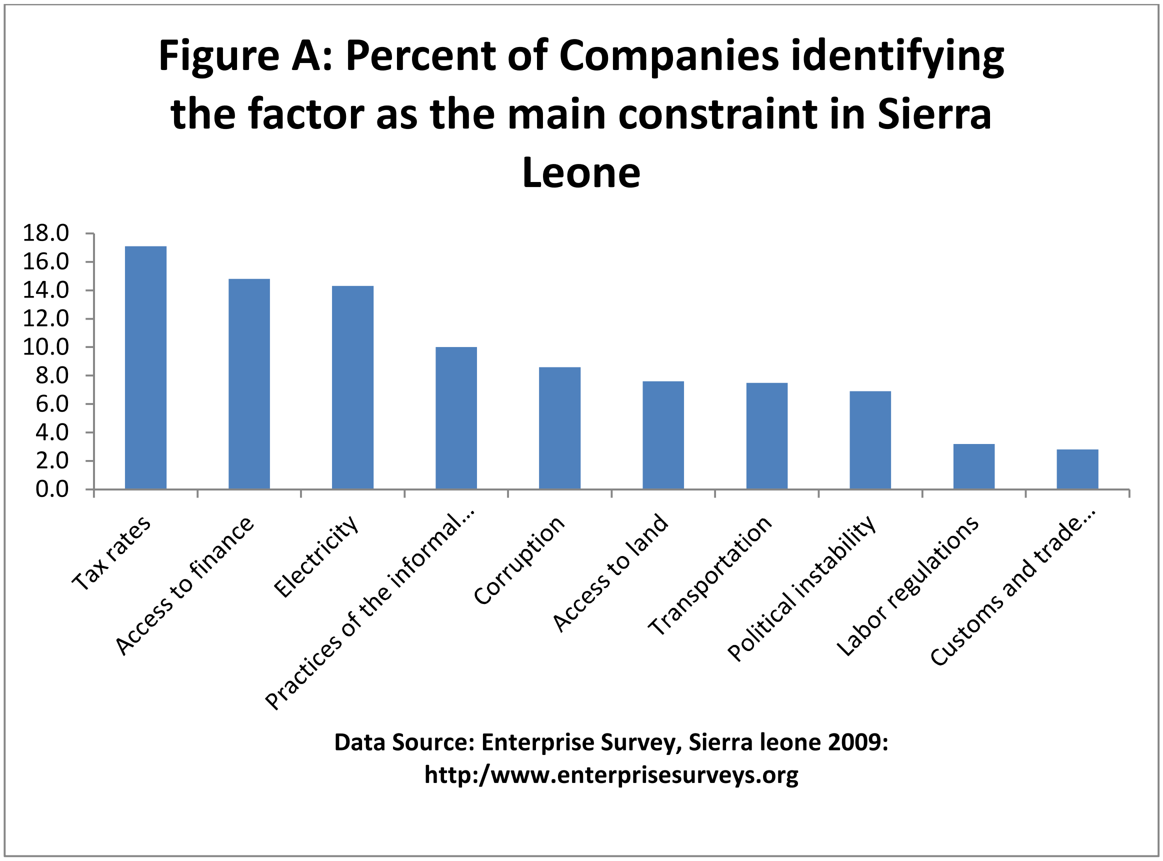
Every three to four years, the World Bank conducts an Enterprise survey to assess the business and investing environment of each country. The survey covers 135 countries. The most current and comprehensive survey available for Sierra Leone conducted by the World Bank was done in 2009.[19] In the survey, a total of 150 companies were randomly selected in Sierra Leone.

These questionnaires by Enterprise Surveys cover a wide range of business environment topics including access to investment opportunities, access to finance, corruption, infrastructure, crime, competition, annual sales, workforce composition, cost of labor, bribery, land and permits, capacity utilization, business-government relations, taxation, informality, and other variables. Each survey is conducted via face-to-face interview with top managers and business owners in each country. The Enterprise Survey in Sierra Leone was conducted during the period September 15, 2008 to February 13, 2009. A high response rate was reported because the survey was conducted during a period in which an abundance of statistical data was collected by the government of Sierra Leone and the international community. This maybe as a result of the government and the international community embarking on a reconstruction effort after the civil war ended in 2002.

[19] Enterprise Surveys (http:/www.enterprisesurveys.org), World Bank.

The surveys used standardized survey instruments and a uniform sampling methodology to provide data that are comparable across countries. The sampling methodology of the Enterprise Surveys generates sample sizes that are appropriate for the size of each country's economy. Usually up to 1,800 interviews are conducted for large economies; up to 360 for medium-sized economies; and up to 150 interviews for small economies like Sierra Leone. The main aim of the standardized survey questionnaire created by the Enterprise Survey is to determine how the business environment impacts and cause constraints on investments in a particular country and to compare the investment climate of individual countries across the world.

According to the survey, in Sierra Leone, the top 10 factors that have the greatest negative impact on the business environment are tax rate, access to finance, electricity, informal sector, corruption, access to land, transportation, political instability, labor regulation, and customs and trade regulation. See Figure A below.



As shown in Figure A, political instability is ranked as the 8th factor that business owners consider important. Instead, it is the business environment factors of starting and operating a business that investors consider the top seven constraining factors.

Chapter 4

Discussion

Data collected from the World Bank Doing Business, which analyze the business environments of 189 countries, reveal that the following 10 areas of quantitative indicators of business regulation either hinder or attract FDI into a country. The 10 are starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. From this ten, the following seven have often been shown to be the greatest constraint for investors in economics that are predominately informal: starting a business, dealing with construction permit, buying and registering property, getting credit, paying taxes, trading across borders, and enforcing contracts.

The data show that starting a business in Singapore takes less time, less paperwork, and is more cost effective. In 2008, it took 5 procedures and 5 days to register a business, and in 2013, it took 3 procedures and 2.5 days. While in Sierra Leone, it took 8 procedures and 26 days to register a business, and in 2013 it took 6 procedures and 12 days. Even though the data showed that Sierra Leone has made improvements in recent years in the business registration process as noted in the reduction of procedures and days required to registering a business, there is still room for improvement in the business registration process. For example, there could be fewer steps required to register a business, this would reduce duplication and improve transparency. The longer it takes to register a business, the more likely that corruption and bribery will take place. Most Multinational Corporation such as those in the USA are not allowed to bribe government officials because of the Foreign Corrupt Act. The US foreign Corrupt Act prohibits USA companies official from bribing foreign officials to gain favorable business deal,[20] as a result Multinational Corporation will find themselves at disadvantage and will likely be hesitant to invest or increase investment in Sierra Leone if the process of registering a business continues to be a lengthy one. In fact the length of time it takes to register a business can be considered barrier to entry in a country's market.

Obtaining a construction permit is paramount in business expansion, and in Sierra Leone the data indicate long waiting periods and high cost, in comparison to Singapore. In 2008, there were 40 procedures and an average of 206 days with an end cost of 13.5% of the value of the warehouse, in order to obtain a construction permit in Sierra Leone. In Singapore it took 10 procedures, 60 days and a cost of 0.3% to obtain a construction permit. Although there was an improvement in the number of procedures reducing from 40 to 16, the days from 206 to 166, and warehouse cost from 13.5% to 6.5%, Sierra Leone still lagged behind in formalizing and streamlining the process of obtaining a construction permit. In dealing with construction permits, speed matters because a company may need to expand its business quickly may be due to having acquired new business clients. Therefore, they will need new office space and warehousing space to conduct their operations. A company that needs to expand within three months will be at a great disadvantage in Sierra Leone where in it takes 206 days to obtain a construction

[20] Jack G. Kaikati et al., "The Price of International Business Morality: Twenty Years under the Foreign Corrupt Practices Act," *Journal of Business Ethics* 26, no. 3 (2000): 213-222.

permit. Additionally, studies have shown that countries that have streamlined the process of obtaining a permit and making it easier to obtain a permit also tend to be more transparent and increase government revenue.[21] The more a transparent a business process is, the more likely that foreign investors will be attracted to that country. The importance of obtaining a construction permit easily was highlighted by a study conducted in 19 Asia-Pacific countries. A survey of 218 companies in that region indicated that the procedures and the time it takes to obtaining a construction permit is to them one of the greatest obstacles to doing business in those countries.[22] The study also highlights that obtaining a construction permit is a critical factor when companies decide on the country in which to establish their business.

Buying and registering property in which foreign companies can operate their business in Sierra Leone proved to be just as tedious and costly as obtaining the construction permit. In 2008 the transfer of title from property owner to business took 8 procedures, 235 days, and cost 14.9% of the value of the property; and 7 procedures, 67 days, and 11.6% of the value of the property in 2013. Whereas, in Singapore, in 2008 it took 4 procedures, 20 days and 2.8% of the value of the property; and 4 procedures, 19 days and 2.8% of the value of the property in 2013. Related to obtaining a construction permit, buying and registering property in Sierra Leone takes three times longer in Sierra Leone than in Singapore. This lengthy time period it takes to register a property affect

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[21] Aleksandra Kaźmierczak, "Economic Impact of Accelerating Permit Processes on Local Development and Government Revenues." Report Prepared for the American Institute of Architects, Washington, Dc. Pricewaterhousecoopers, 2005.

[22] Singapore Business Federation, "Key Findings from Abac 'Ease of Doing Business'(Eodb) Survey," *Presentation at Singapore Business Federation dialogue session "Removing Barriers for Business Growth in APEC," Singapore, July* 9 (2009).

companies that need to expand their operations quickly. Since business operations, customer needs, and client needs can change at any time, companies are looking for a flexible and efficient business environment in which they can make decisions and implement them quickly without hindrance due to government regulations.

Getting credit and securing adequate finance to ensure the smooth operation of a business is vital to any new business looking to be established in a region or area in which it believes it can be profitable. However, the World Bank Doing Business data indicate that there are no credit bureaus existing in Sierra Leone as of 2013, thereby making it difficult for businesses and individuals to secure credit coverage. In Singapore there are credit bureaus and the credit coverage for a business or individual is 43% in 2008 and 58% in 2013. The none existence of credit bureaus in Sierra Leone cause investors to be dependent on the informal sector in raising capital. However, the informal process of raising capital through family members and friends is not an efficient and reliable way of financing business transactions for Multination Corporation. This lack of a formal way of raising capital locally hinders foreign investors to invest in Sierra Leone. Access to adequate and reliable credit is critical, even to foreign companies. Although foreign companies can access the international market to raise capital, day-to-day and short-time financing of business transaction such as payroll, are normally financed through short-term credit line from the local capital market.

Taxation payments, another business regulation that can either hinder or attract FDI into a country, is shown in the data to be burdensome for Sierra Leone's investors. In 2008, 29 number of payments were required in Sierra Leone, which took 339 hours to complete; and in 2013, 33 number of payments were required and it took 357 hours to complete. Singapore, on the other hand, required only 5 payments in 2008, which averaged about 49 hours; and in 2013, 5 payments were required averaging about 82 hours.

Exportation, to foster trading across borders, was another clear indication of why Singapore attracted more investors than Sierra Leone. In 2008, to complete an export process for a 20-foot container, it took 7 documents and 31 days; and in 2013, 7 documents and 24 days. However, the investor in Singapore needed to process 3 documents and about 6 days in which to complete an export process in both 2008 and 2013.

Enforcing contracts is essential for businesses transaction because it not only protect investors and shareholders; it also encourages trade and investment among business and with individuals. However, a broken contract means loss of money and sometimes products. Investors are set at ease if they know that disputes can be efficiently settled in a well-functioning judicial system if a contract is breached. The World Bank Doing Business data indicates that, in 2008, an average of 515 days and 40 procedures is what it took the Freetown High Court in Sierra Leone to complete the enforcement of a contract dispute; and in 2013, disputes were settled in an average of 515 days with 39 procedures. In the Singapore District Court, however, it took about 120 days and 21 procedures in 2008, and 150 days and 21 procedures in 2013 to complete an enforcement process in Singapore. The time it takes to settle contractual dispute is too long and needs to be addressed in Sierra Leone so that investors and shareholders can feel protected. If it takes 515 days to resolve a business contract dispute, most investors will be hesitant to invest in Sierra Leone because the longer the time, the more likely that corruption will take place. Protecting investors is important because it allows companies to raise more capital that is needed to grow the business from foreign investors. If investors do not feel protected, companies in foreign countries have limited means to raise capital. The long-held view is a stronger legal system that protects investors makes investors more confident about their investments.[23] Studies have shown that countries with stronger investor protections laws tend to attract more foreign investors and companies into their countries, and they tend to grow faster with higher profit.[24] Enforcing contract is also important when it comes to debt contracts. Access to debt is very important and debt contracts are very important as they enable companies to borrow from financial institutions to finance their operations and companies in turn are able to extend credit to their customers. Therefore, the contract enforcement mechanism should be good enough to allow lenders to go after defaulting borrowers in swift and efficient manner especially for companies with creditors. If there is an efficient debt and contract enforcement, foreign investors will most likely be attracted to invest in a country.

The World Bank also conducts an Enterprise survey to assess the business and investing environment of various countries, and the most recent survey covers 135 countries. Comprehensive surveys are available for Sierra Leone, and the most current conducted by the World Bank was done in 2009.

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[23] Jay Dahya, Orlin Dimitrov, and John J. McConnell, "Dominant Shareholders, Corporate Boards, and Corporate Value: A Cross-Country Analysis," *Journal of Financial Economics* 87, no. 1 (2008): 73-100.

[24] R. David McLean, Tianyu Zhang, and Mengxin Zhao, "Why Does the Law Matter? Investor Protection and Its Effects on Investment, Finance, and Growth," *Journal of Finance* 67, no. 1 (2012): 313-350.

Using standardized survey instruments and uniformed sampling methodology, up to 150 interviews for small economies like Sierra Leone were conducted. These standardized survey questionnaires and interviews, created by the Enterprise Survey, determine how the business environment impacts and cause constraints on investments in a particular country. The survey also compares and contrasts the investment climate of individual countries across the world.

According to the survey, in Sierra Leone, the top 10 factors that have the greatest negative impact on the business environment are tax rate, access to finance, electricity, informal sector, corruption, access to land, transportation, political instability, labor regulation, and customs and trade regulation. These factors are important determinants of FDI attraction, and they greatly affect the local business environment.

Alternative Explanation

The main argument in this thesis is that Singapore has attracted more FDI than Sierra Leone because of the difference in the type of economy. Singapore's economy is more formalized and efficient, whereas Sierra Leone's economy is informal and less efficient. I am aware others may argue that the difference in Sierra Leone is more than the type of economy. Factors such as geographical locations, culture, people, natural resources, and rich neighbors have been put forward in arguing the comparison of one country being more successful than the other.

These factors may contribute to the success of some nations; however, success cannot be attributed to any one factor alone independent of all others.

For example, in the books *Guns, Germs, and Steel*[25] and *The Wealth and Poverty of Nations,*[26], authors Jared Diamond and Harvard economist David S. Landes, respectively, argue that it takes multiple factors depending on each other to bring about the economic success of a nation. That is, a country's physical factors such as its infrastructure, geographical location, culture, people, and natural resources may be great and may even be considered advantageous in relation to other countries. However, these factors by themselves do not make a successful economy. For example, a country is not successful based on the fact that it has iron ore, or that it is located in the tropics or subtropics, or that it has a rich cultural history, or has access to the sea. Instead, a country's success is largely dependent on how its government harmoniously develops these factors to create an efficient working economy.

Others may argue that having rich neighboring countries may influence FDI attraction. However, both Singapore and Sierra Leone FDI are not significantly influenced by neighboring countries. Singapore receives about half of its FDI from Asian countries and the rest from Europe, North America, Oceania, South and Central America, and Africa. See Table 1 in the Appendix. Likewise Sierra Leone receives most of its FDI from Europe, the United States, China, and some from neighboring countries.

Many factors may enhance a country's ability to attract FDI. However, the improvements in technology, communication, and transportation, make factors such as physical, geographical locations, less of a significant determining factor as to why other

[25] Jared Diamond, *Guns, Germs, and Steel: The Fates of Human Society*, (New York: W. W. Norton): 1999.

[26] David S. Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor*, (New York: W. W. Norton): 1999.

countries attract more FDI than others. Many arguments could be put forth as to why Singapore has attracted more FDI than Sierra Leone. I have argued in this paper that the difficulty of doing business in Sierra Leone is the most reasonable explanation as to why Sierra Leone attracts less FDI than Singapore.

Conclusion and Implications

The World Bank estimated the informal sector represented about 60% to 80% of Sierra Leone's economy.[27] Other terms used to refer to the informal economy include the shadow economy, the underground economy, and off-the-books economy. When a country such as Sierra Leone is predominately an informal economy, foreign companies are at a disadvantage because of the unfair competition they face with local companies who operate underground and who do not comply with most of the legal obligations required to operate a business in the formal sector. These informal competitors are damaging to foreign companies because local firms will enjoy cost advantage as a result of not paying taxes, not going through the court system, and ignoring many or all business regulations. Such practices make the country less attractive to MNCs who will not be able to ignore business regulations and operate in a shadow economy. A lengthy business registration process, cumbersome contract enforcement process forces local companies under the shadow economy. Addressing these issues will bring most companies out of the shadow and encourage fair competition and will attract FDI.

Singapore has attracted more FDI than Sierra Leone because it has created a business environment within a more formal economy that encourages fair competition

[27] UNCTAD. "Investment Policy Review: Sierra Leone." New York: United Nations, 2010.

and wherein it is easy to start and operate a business. The process of registering a business, obtaining a construction permit, buying and registering property, getting credit, paying taxes, trading across borders, and enforcing contracts are much more streamlined and formalized in Singapore than Sierra Leone. The procedures and the time it takes to start and operate a business in Singapore are much more favorable than in Sierra Leone. A favorable time period in which to start and operate a business is helpful in attracting foreign investors who are looking for business environments that are efficient, and in which transactions are protected, contracts are enforceable, and business and individual credit worthiness are determinable and verifiable. It is important that these issues are addressed by the government of Sierra Leone as they have been shown to influence where investors decide to invest.

Sierra Leone needs to create an environment that attracts investors both locally and globally. The absence of a credit bureau in Sierra Lone is especially troubling and need to be addressed by the government. Credit bureaus are very important because they gather and maintain the credit history of individuals, businesses and investors. This information is needed for a smooth functioning of the financial system in a country because both banks and businesses use this information to extend credit to customers and businesses. The nonexistence of credit bureaus and credit scoring in Sierra Leone makes the efficient allocation of resources by investors and business difficult because of the unknown risk out there.

Sierra Leone needs to strengthen and streamline the enforcement of contracts. Various studies have shown that efficient and speedy contract enforcement by the court system has many benefits for local and international business. An efficient and speedy contract enforcement system in a country's court system encourages new business formation and business-to-business relationship because businesses are guaranteed protection by the law. For example, a study by Mehnaz, Safavian, and Siddharth Sharma in 2007 found that businesses in countries with inefficient and slow contract enforcement systems tend to receive low financing from banks.[28] Another study shows that countries with an efficient and speedy contract enforcement court system and with a good debt collection process tend to produce and export more goods than those that do not.[29] In fact, in their research, John S. Ahlquist and Aseem Prakash, reveal that countries where contract enforcement is effective tend to attract more foreign direct investment than those whose contract enforcement system is lacking.[30] If investors believe that courts are not an attractive avenue for resolving contract dispute, then investors will not be motivated to invest in that country.

There are certain institutions needed for an economy to operate efficiently. Institutions and/or gate keepers, such as credit rating agencies, income tax system, accounting bodies, analyst, and a robust legal system, should be present and functioning properly. Such institutions will enforce contracts, settle disputes, recover debts, and sometimes act as consulting organizations. Unfortunately, these institutions are not fully functioning in Sierra Leone. The government of Sierra Leone needs to set up or encourage the establishment and maintenance of these institutions. Properly functioning

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[28] Mehnaz, Safavian, and Siddharth Sharma. "When Do Creditor Rights Work?" *Journal of Comparative Economics* 35, no. 3 (2007): 484–508.

[29] Nathan, Nunn. "Relationship-Specificity, Incomplete Contracts, and the Pattern of Trade." *Quarterly Journal of Economics* 122, no. 2 (2007): 569–600.

[30] John S. Ahlquist and Aseem Prakash. "FDI and the Costs of Contract Enforcement in Developing Countries," *Policy Sciences* 43, no. 2 (2010): 181–200.

business environment institutions will not only attract FDI but will also improve the standard of living of its citizens. Sierra Leone should focus on building and or maintaining these institutions for a business friendly business environment.

This research focuses primarily on direct foreign investment in Sierra Leone. Direct foreign investments differ substantially from indirect investments such as portfolio investments, wherein overseas institutions invest in equities listed on a nations' stock market. Even though FDI became popular in the 1980s, most of the research is limited to the period between 2003 and 2013 because getting good data going back to 1980s is difficult.

Appendices

Definition of Terms

Bilateral Investment Treaty (BIT): This is an agreement establishing the terms and conditions for private investment by nationals and companies of one state in another state. This type of investment is sometimes called foreign direct investment (FDI). BITs are established through trade pacts.

Foreign Direct Investment (FDI): An investment made by a company based in one country, into a company based in another country. Companies making direct investments typically have a significant degree of influence and control over the company into which the investment is made. The investing company may make its overseas investment in a number of ways either by setting up a subsidiary or associate company in the foreign country; by acquiring shares of an overseas company, or through a merger or joint venture. The accepted threshold for a foreign direct investment relationship, as defined by the OECD, is 10%. That is, the foreign investor must own at least 10% or more of the voting stock or ordinary shares of the investee company.

IMF conditionality: The requirements placed on the usage or distribution of money lent to another country. Conditionality is most often associated with aid money. International organizations, such as the International Monetary Fund (IMF) and World Bank, or individual countries can use conditionality when lending money to another country. The donor country requires that the country receiving the funds adhere to certain rules directing the use of funds.

Infant Industry Theory: The belief that emerging domestic industries need protection against international competition until they become mature and stable. Infant-industry theorists argue that industries in developing sectors of the economy need to be protected to keep international competitors from damaging or destroying the domestic infant industry.

Informal Economy: This refers to part of economic activities that are not taxed, registered, regulated by the government, or included in the Gross National Product (GNP). Most activities in the informal economy lack licenses and good bookkeeping. Other terms used to describe the informal economy include black market, shadow economy, the underground economy, and “off the book” activities.

Import Substitution Industrialization (ISI): An economic theory employed by developing or emerging market nations that wish to increase their self-sufficiency and decrease their dependency on developed countries. Implementation of the theory focuses on protection and incubation of domestic infant industries so they may emerge to compete with imported goods and make the local economy more self-sufficient. ISI seeks to protect local industries through various avenues such as tariffs, import quotas and subsidized government loans.

Lesser-Developed Country (LDC): A country that is considered lacking in terms of its economy, infrastructure, and industrial base. The population of a lesser-developed country often has a relatively low standard of living, due to low incomes and abundant poverty.

Multinational Corporation (MNC): A corporation that has its facilities and other assets in at least one country other than its home country. Such companies have offices and/or factories in different countries and usually have a centralized head office where they coordinate global management. Very large multinationals have budgets that exceed those of many small countries.

Regime Type: A political regime is a set of political structures that make up a state. Regime types include direct democracies, military dictatorship, civilian dictatorship, monarchic, democracy in transition, etc. Many believe that the type of regime has an effect on what type of investors a country can attract.

Table 1. FOREIGN DIRECT INVESTMENT IN SINGAPORE BY COUNTRY / REGION, 2004-2013
(Stock as at Year-End)

Millions of S$

Country / Region	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total	**276,819.2**	**323,821.1**	**370,494.7**	**466,567.4**	**510,585.2**	**574,703.6**	**625,780.4**	**677,772.5**	**755,974.3**	**853,339.5**
Asia	62,252.9	78,253.9	82,485.0	105,294.1	120,240.3	145,894.9	152,854.0	163,440.5	186,203.7	212,031.8
Brunei Darussalam	357.9	380.7	309.1	283.7	297.0	317.9	292.5	336.2	367.6	400.6
Cambodia	1.0	1.0	0.5	1.5	1.5	0.9	6.9	22.8	22.6	23.8
China	359.7	910.0	1,689.5	2,314.1	4,423.7	9,725.7	14,028.7	13,612.1	14,669.7	16,491.7
Hong Kong	3,196.8	4,701.5	6,317.5	6,887.3	11,939.1	18,145.8	19,066.1	23,468.1	29,053.2	34,602.6
India	481.0	1,303.1	2,577.6	13,025.7	16,861.4	21,954.8	24,515.8	23,204.5	23,487.6	24,415.4
Indonesia	1,091.2	683.7	1,015.0	1,976.9	2,962.4	3,894.0	1,482.8	819.4	2,461.9	3,173.8
Israel	4,633.4	4,982.7	4,656.3	5,124.9	5,060.8	4,992.5	4,710.9	4,747.4	4,534.1	4,749.8
Japan	37,502.0	44,812.5	44,970.5	47,540.2	50,446.1	50,515.4	53,577.4	53,722.1	58,701.7	71,992.0
Korea, Republic of	846.7	1,267.5	780.6	3,040.2	3,250.5	2,906.3	3,062.1	4,143.5	3,566.8	4,960.2
Lao People's Democratic Republic	-	-	-	2.0	1.6	5.7	2.5	3.8	3.7	4.1
Malaysia	5,032.7	8,159.4	8,412.4	11,378.0	12,585.3	15,864.9	14,437.6	19,867.9	27,684.5	27,302.0
Myanmar	7.6	14.8	17.6	94.0	94.7	18.9	45.0	19.4	4.0	-1.8
Philippines	707.6	739.8	871.1	984.5	1,101.0	1,080.3	1,353.1	2,018.6	1,974.6	2,271.5
Taiwan	5,730.8	7,211.2	7,541.3	7,703.7	6,553.2	6,169.4	5,772.1	7,195.4	7,265.7	8,218.2
Thailand	1,035.1	1,369.4	1,479.7	1,527.5	1,814.3	2,076.0	5,357.9	4,165.0	3,808.4	3,972.7
Vietnam	32.7	21.1	11.5	26.1	28.9	28.2	59.6	60.6	24.2	107.8
Europe	120,505.7	139,987.4	174,058.3	198,339.7	203,850.7	221,807.3	230,861.9	257,368.8	265,600.8	296,733.4
Denmark	1,083.8	1,790.9	1,920.4	2,187.1	3,101.5	3,905.0	8,241.7	8,973.9	10,027.5	9,802.0
France	6,349.7	7,003.7	8,090.6	10,961.0	9,507.2	8,103.7	8,064.9	10,609.2	12,574.3	12,244.5
Germany	7,278.5	8,189.2	7,591.6	9,226.9	11,227.0	11,136.4	13,947.0	14,215.9	14,754.4	15,270.6
Ireland	2,557.6	3,814.4	1,987.0	3,557.8	3,286.1	3,092.1	5,055.2	7,131.5	7,897.9	6,762.0
Luxembourg	2,269.9	2,909.2	4,964.1	5,593.1	8,054.1	18,142.3	19,968.3	23,797.5	21,256.5	22,807.9
Netherlands	31,560.8	32,142.1	48,631.0	51,418.6	61,001.4	61,511.7	60,546.5	69,372.9	75,371.3	84,350.9
Norway	6,217.2	8,565.6	15,216.6	17,079.5	21,267.0	23,134.0	22,075.9	21,632.5	20,489.4	20,765.5
Switzerland	16,444.3	22,273.1	27,113.7	27,453.4	23,504.9	26,851.5	27,166.3	28,566.7	32,587.8	40,220.8
United Kingdom	43,924.4	49,593.0	55,263.7	62,527.3	47,569.0	49,499.4	48,947.3	55,654.0	48,865.3	58,545.7
North America	43,855.6	43,163.1	41,061.4	54,676.8	55,780.2	61,850.8	70,499.5	79,095.2	109,806.8	120,782.2
United States	41,019.5	40,574.4	38,325.0	51,550.8	52,758.1	58,968.8	67,082.0	74,648.5	104,636.0	114,191.3
Canada	2,836.1	2,588.7	2,736.4	3,126.0	3,022.1	2,882.1	3,417.5	4,446.7	5,170.8	6,590.9
Oceania	3,255.1	4,836.4	5,574.0	7,279.9	8,235.1	9,523.2	11,446.6	13,761.2	15,436.2	16,547.1
Australia	2,674.3	2,846.9	3,318.7	4,615.2	4,572.7	6,004.3	7,145.5	9,197.5	9,922.4	10,028.2
New Zealand	132.7	1,482.0	1,704.7	1,618.8	1,902.6	2,109.6	2,503.4	3,081.5	3,472.6	3,621.2
South and Central America and the Caribbean	41,672.7	50,141.6	60,876.4	91,009.7	109,156.4	122,052.1	144,716.5	149,625.8	162,173.9	189,085.9
Bahamas	10,935.2	10,420.3	13,476.3	14,232.6	14,908.9	18,472.2	20,550.6	20,823.2	19,589.4	20,876.2
Bermuda	5,095.1	11,260.6	13,126.8	20,655.2	22,884.4	24,305.1	25,327.4	20,180.9	30,806.7	33,030.2
British Virgin Islands	13,597.6	17,599.1	19,049.1	29,566.8	38,754.3	39,677.5	50,116.1	55,891.9	60,369.9	74,259.6
Cayman Islands	7,971.2	8,563.4	13,162.4	23,644.6	29,416.8	36,488.0	44,520.3	47,629.6	46,830.1	55,332.7
Africa	5,267.0	7,494.0	6,102.9	9,022.9	12,325.2	12,754.2	15,396.4	14,338.1	16,297.9	17,494.4
Mauritius	2,126.1	3,647.6	4,548.5	7,298.5	10,500.7	10,690.2	13,061.4	12,682.7	14,532.6	15,906.2
ASEAN	8,265.7	11,369.9	12,116.9	16,274.2	18,886.6	23,286.8	23,037.9	27,313.7	36,351.5	37,254.5
European Union (EU-28)	97,724.3	108,952.9	131,406.8	152,288.9	153,400.4	166,582.8	175,696.4	198,874.3	202,910.4	222,351.7

Surce: Singapore Department of Statistics

Foreign Direct Investment (FDI) in US $		
Year	Singapore	Sierra Leone
2000	16,484,457,326	39,000,825
2001	15,086,711,251	9,835,742
2002	6,401,974,025	10,413,409
2003	11,941,337,976	8,615,050
2004	21,026,034,944	61,153,314
2005	18,090,329,984	90,731,670
2006	36,923,890,241	58,869,144
2007	47,733,209,770	95,470,171
2008	12,200,705,252	53,095,074
2009	23,821,209,700	110,430,203
2010	55,075,864,345	238,404,158
2011	50,367,876,463	950,477,689
2012	61,159,602,602	548,073,515

Source: World Bank FDI Report 2014

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